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## UNIVERSITY OF HAWAI'I

Office of Research Services

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March 19, 2001

### MEMORANDUM

To: Vice Presidents, Chancellors, Deans and Directors,  
Fiscal Officers and Principal Investigators

From: Marvin S. Enokawa /s/  
Director, Research Services

Subject: Use of 8% of MTDC on Training Grants with the Federal Government

The computation of indirect costs on Federal training grants has been subject to much interpretation since the agencies changed from a total direct cost base to a modified total direct cost base (MTDC). Often, agency defined MTDC differs from rate agreement MTDC, which leads to the confusion. To further complicate matters, at least one Federal agency has declared that it intended to use the rate agreement definition of MTDC all along.

The only clear requirement is that the University should charge the Federal Government the lower of 8% of MTDC or actual indirect costs (27.3% of MTDC based on the current rate agreement).

Therefore, in keeping with past practice, the University shall compute indirect costs on Federal training grants at 8% of rate agreement MTDC for agencies that impose this limitation. This will ensure that the University charges the lowest indirect costs in accordance with the regulations because rate agreement MTDC is almost always lower than agency defined MTDC.

As you may recall, rate agreement MTDC excludes the following items: equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities (i.e. grant pays for office, classroom, laboratory or meeting space to third party), charges for service centers (i.e. specialized service facilities), scholarships, fellowships, and the portion of each subgrant or subcontract in excess of \$25,000.

Please ensure that your proposal budgets continue to use this method for computing indirect costs. If you have any questions, please call Kevin Hanaoka at 956-2942.

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